

Message Text

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TO AMEMBASSY PARIS

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FOLLOWING REPEAT STATE 80304 ACTION ASUNCION BOGOTA BRASILIA
BRIDGETOWN BUENOS AIRES GUATEMALA KINGSTON LA PAZ LIMA MANAGUA
MEXICO MONTEVIDEO OTTAWA PANAMA PORT AU PRINCE PORT OF SPAIN
QUITO SAN JOSE SAN SALVADOR SANTIAGO SANTO DOMINGO TEGUCIGALPA
INFO CARACAS
QUOTE

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E.O. 11652: N/A

TAGS: EFIN, IDB

SUBJECT: VENEZUELAN CONCESSIONAL CONTRIBUTION TO INTER-
AMERICAN DEVELOPMENT BANK (IDB)

1. U.S. AND VENEZUELAN FINANCE MINISTRY OFFICIALS ARE DIS-
CUSSING POSSIBLE ARRANGEMENTS FOR GOV CONTRIBUTIONS OF CON-
CESSIONAL FUNDS TO IDB.

2. GOV STATES IT DOES NOT WANT TO MAKE CONCESSIONAL FUNDS
AVAILABLE TO A FUND SUBJECT TO U.S. VETO. U.S. HAS PRO-
POSED POTENTIAL TECHNICAL MECHANISMS TO AVOID TWO-THIRDS
VOTE REQUIREMENT ON CONVERTIBLE FUNDS VENEZUELA OR OTHER LA
COUNTRIES MAKE AVAILABLE ON CONCESSIONAL TERMS FOR USE IN
OTHER COUNTRIES. UNDER U.S. PROPOSAL AND GIVEN PRESENT VOT-
ING STRUCTURE AND DISTRIBUTION WE WOULD CONTINUE TO HAVE
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VETO ON U.S. CONTRIBUTIONS (WHICH WOULD STILL BE CHANNELLED

THROUGH FSO), BUT EXISTENCE OF SEPARATE FUND WITH DECISIONS BASED ON MAJORITY OF CAPITAL SUBSCRIPTION VOTE WOULD MEAN U.S. ALONE COULD NOT PREVENT IDB SOFT TERM LENDING IN MANY CIRCUMSTANCES.

3. AT LATEST MEETING WITH VENEZUELAN FINANCE MINISTER HURTA-DO APRIL 5, HE INDICATED HE MAY DISCUSS U.S. INFORMAL PROPOSAL WITH CERTAIN OTHER LA COUNTRIES BEFORE CONTINUING DISCUSSION IN WASHINGTON IN EARLY MAY.

4. WHILE THESE DISCUSSIONS CONTINUING BETWEEN U.S. AND VENEZUELA YOU SHOULD NOT RAISE THIS ISSUE WITH HOST COUNTRY OFFICIALS. SHOULD YOU BE QUESTIONED ON GENERAL U.S. APPROACH TO VENEZUELAN CONCESSIONAL CONTRIBUTION, YOU SHOULD INDICATE THAT U.S. HOPES FOR A SUBSTANTIAL CONTRIBUTION AND IS DISCUSSING WAYS OF PERMITTING SUCH CONTRIBUTION THROUGH SPECIAL FUND. THIS FUND WOULD NOT BE SUBJECT TO U.S. VETO SINCE DECISIONS WOULD BE BASED ON MAJORITY VOTE. U.S. VETO WOULD BE KEPT OVER FSO, WHICH INCLUDES THOSE FUNDS APPROPRIATED BY U.S. CONGRESS AS LONG AS U.S. RETAINS CAPITAL SHARE (AND, THEREFORE, VOTING POWER) GREATER THAN 33.4 PERCENT.

5. FYI ONLY - USG POSITION ON VETO SALE PER SE WILL CONTINUE TO BE, IF ASKED, THAT U.S. IS WILLING TO ACCEPT LATIN OFFER TO PURCHASE PART OF OUR CAPITAL SUBSCRIPTION IF PRICE IS SUFFICIENTLY HIGH AND ACCOMPANIED BY SUBSTANTIAL CONCESSIONAL CONTRIBUTION. THIS, IN ESSENCE, IS WHAT FORMER TREASURY SECRETARY SHULTZ STATED AT 1974 IDB ANNUAL MEETING IN SANTIAGO. IN CONSULTATION WITH CONGRESS IN CONNECTION WITH UPCOMING REPLENISHMENT, EXECUTIVE BRANCH POSITION ON SUBJECT WILL BE THAT WE ARE NOT AT THIS TIME CONTEMPLATING ELIMINATION OF VETO. HOWEVER, IF UNEXPECTED HIGH OFFER WERE MADE, WE WOULD BE PREPARED TO CONSULT AGAIN WITH CONGRESS ON THIS MATTER. END FYI.

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